

EXHIBIT 162

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Can private prisons be run cheaper?

In Idaho, no one has actually done the math to find out

By REBECCA BOONE of the Associated Press Mar 5, 2012

BOISE - For more than a decade, Idaho leaders have promoted private prisons by telling taxpayers it's cheaper for the state to outsource prison management. But an examination of comparative costs by The Associated Press shows that the state has never actually done the math, and there may be no cost savings at all.

In fact, privatization could be costing the state more money than if the Idaho Department of Correction ran the lockups.

Idaho officials will tell you that the state's largest private prison, the

Idaho Correctional Center, saves \$12 per inmate, per day compared to a similar state prison. But adjusting for known system-wide expenses and the cost of overseeing the contract for the private lockup bring the per diems to just \$5 apart.

The comparable state prison also houses all of the sick and geriatric inmates, is the oldest facility in the state and spans multiple buildings on a 65-acre campus, requiring a high guard-to-inmate ratio to patrol. The private prison, meanwhile, is relatively new and compact and only accepts inmates without chronic medical or mental health needs, factors that allow it to operate with a lower staff-to-inmate ratio. Those factors make it likely that the state could operate the facility for no more than it pays the private company.

State leaders have refused to examine the issue. About four years ago, Idaho Department of Correction Director Brent Reinke asked the Board of Correction and Gov. C.L. (Butch) Otter's office if his department could bid for the contract to run the Idaho Correctional Center - a move that would have given Idaho a firm idea of how much it would cost to make the facility public. The board responded with a firm "no," and the governor's office simply deflected the matter back to the board.

"We just decided we'd stay with what we're doing," said board member Jay L. Nielsen, who was the board secretary when Reinke made the request in October 2007. "As you know, Idaho likes to have private industry do whatever they can, and I think that's the reasoning behind it all."

Otter's spokesman Jon Hanian said the governor's office was carrying out a policy created by former Gov. Phil Batt in the mid-1990s. But Otter has continued to be a cheerleader for private prisons, looking into the possibility of privatizing another state facility in northern Idaho and opening a smaller private prison south of Boise in 2009.

The nation's largest private prison provider, Corrections Corporation of America, contracted with Idaho in 1997 to build and run the Idaho Correctional Center south of Boise. At the time, Batt said the move would save the state \$16 million in operating costs alone.

The state generally compares the money it pays to CCA to the cost the state incurs running a similar facility: The Idaho State Correctional Institution. At first glance, those numbers show the private prison to be a striking savings - \$42.12 per inmate, per day, compared to \$54.14.

But the numbers are stacked against the state.

The private prison's per diem doesn't include the \$4.51 per inmate, per day the state spends to monitor operations and contract compliance at the prison. They also don't reflect the fact that Idaho's contract with Corrections Corporation of America bars the state from transferring any inmate with a chronic medical or mental health condition to the private prison.

The state's per diem doesn't reflect that every inmate in Idaho is funneled through ISCI before they're transferred anywhere, including the private prison. That's because the state-run lockup handles all receiving, diagnostic and placement services for the correctional system. It also houses the Idaho's only mental health unit - a service not offered at the private prison - as well as all geriatric and chronically ill inmates, including those who can't be sent to ICC.

Adjusting for contract oversight brings the private ICC's per diem cost up to \$46.63. Eliminating the system-wide costs attributed to the state-run lockup - but leaving in the \$12.09 per inmate, per day that goes to medical costs - brings the state's ISCI's per diem down to \$51.64.

Adjusting for the medical expenses is trickier. Because CCA is a private company, it doesn't have to disclose how much it spends on medical and mental health care for inmates. And because the state has a contract with health care company Corizon to handle the medical needs of all the state-managed inmates, the department can't get a breakdown of just how much its own healthy inmates cost compared to the sick and elderly .

"It's an algebraic problem, and as it sits today, you have too many unknown variables," said Tony Meatte, the Idaho Department of Correction's business services division chief.

Even with all those unknown variables, this much is clear: If the average medical cost of a healthy inmate runs less than \$5 a day , it would likely be cheaper for the state to run the Idaho Correctional Center .

The per diem analysis "was our best bet at looking at how we can allocate all the costs in the department," said Meatte. "If someone wanted to come in and shoot holes in it, they could just like anything they look at. In the end we have to use it as a tool, to let us see if something goes up significantly in an area."

It's surprising that the state has never done a comparison, said Board of Correction member J.R. Van Tassel.

Tassel wasn't on the board when Reinke made his request to study the costs back in 2007. He said if asked today , he would likely support a different decision.

"If the question came up at a board meeting, I would be willing to support allocating the resources to do that," Van Tassel said. "Because at some point in time, the contract's going to be up for renewal again and that information would be crucial to making that kind of decision."

Having the department bid on the service is "the only way you get an apples-to-apples comparison," Van Tassel said.

"I'm on the verge of calling it a failed experiment," said Van Tassel of prison privatization, noting that the state has had to fine CCA thousands of dollars after the company repeatedly failed to meet contract requirements.

Idaho Board of Correction chairman Robin Sandy, however, said that there's value outside of cost savings in privatizing prisons. She was part of the board that made the decision not to let Reinke bid on the contract.

"I personally agree with the governor in that the more we limit government and the more we let private people do the work, that is a good thing," Sandy said. "I believe that most Idahoans share that philosophy."

Steve Owen, the spokesman for Correctional Corporation of America, says the company is highly motivated to comply with its contracts, meet its own standards of excellence and always "do better than the competition."

"As a business, we are able to provide taxpayers an essential government service at equally high standards of quality and efficiency," Owen said in an email to the AP. "Competitive private-sector entities are motivated to move swiftly, evaluate and refine success each day, and maintain the highest operating standards at least cost."

Without a state analysis, taxpayers and the Idaho Department of Correction have to take CCA's word for it.

"Any company that's saying, 'I can save you this,' has never done anything to prove that they can - that's the hard part," said Meatte. "They don't have to prove it."